SGI CANADA

Quarterly Report

March 2014

CORPORATE PROFILE

Mission

We're your insurance company, offering protection that benefits you, your family and your community.

Vision

To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

Values

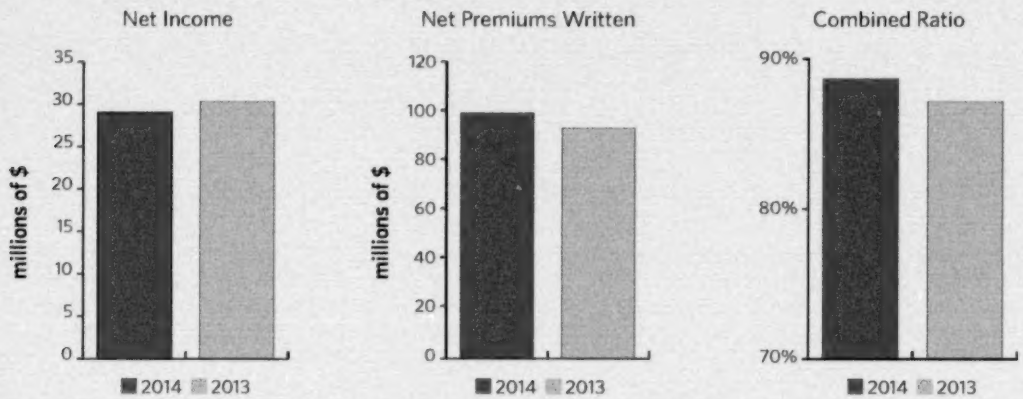
Integrity	Conducting ourselves with honesty, trust and fairness.
Caring	Acting with empathy, courtesy and respect.
Innovation	Implementing creative solutions to achieve our vision.

About SGI CANADA

SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, Coachman Insurance Company in Ontario and the Insurance Company of Prince Edward Island in Prince Edward Island, Nova Scotia and New Brunswick. The company employs about 1,900 people and its head office is located in Regina, Saskatchewan. Products are sold through a network of independent insurance brokers.

Financial Highlights

For the three months to March 31[1]



[1]Includes results from both continued and discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SGI CANADA Insurance Services Ltd., The Insurance Company of Prince Edward Island and Coachman Insurance Company, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the three-month period ended March 31, 2014, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2013. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to May 13, 2014.

Overview

	three months to March 31		
(thousands of $ – except percentages)	2014	2013	Change
Net premiums written	95,676	89,465	6,211
Net income	28,591	30,175	(1,584)
Combined ratio	88%	87%	1.0%
Minimum Capital Test	252%	288%	-36.0%

During the quarter, SGI CANADA entered into an agreement to sell its shares in ICPEI at book value, with the transaction expected to close June 30, 2014, subject to regulatory approval and customary closing conditions. As a result, in this MD&A, ICPEI's results are disclosed as discontinued operations and discussed separately on page 6. The assets and liabilities of ICPEI are reflected as held for sale in the Corporation's consolidated statement of financial position and its results of operations and cash flows have been presented as a discontinued operation in the Corporation's consolidated statement of operations and consolidated statement of cash flows.

The Corporation continues to experience premium growth with increases in net premiums written in Saskatchewan, Alberta, and Manitoba. The largest growth came from Alberta with a 31.6% increase over the first three months of 2013. While premiums grew, net income declined slightly compared to the first quarter of 2013, due to poor out-of-province results.

Investment earnings decreased slightly from the first quarter of 2013, returning $15.5 million (2013 – $17.1 million). Investment markets continued to build on the strong gains experienced last year, generating positive returns across all asset classes. Equity markets produced strong returns, particularly in the U.S. and Canada, although at levels slightly less than the same period of 2013. Interest rates decreased over the quarter generating capital gains resulting in higher overall fixed income returns as compared to the 2013 period.

The Corporation continues to be adequately capitalized, with a Minimum Capital Test (MCT) score of 252% at March 31, 2014.

Outlook

Underwriting results contributed to a strong profit in the first quarter of 2014, positioning SGI CANADA well leading into the second quarter. However, as the warm summer months approach there is the potential for storms in Saskatchewan, which can quickly and unfavourably impact profitability. In this respect, the first quarter profit generated will benefit the Corporation heading into the summer months. To help offset the impact of Saskatchewan summer storms, the Corporation spreads its insurance risk geographically and reinsures against catastrophic losses.

As part of the strategy to accelerate geographic diversification, SGI CANADA expects the sale of its 75% owned subsidiary, ICPEI, to close on June 30, 2014 and plans to redirect resources to strengthen focus on growth in Ontario and Western Canada. SGI CANADA recently applied for a licence to compete in B.C.'s property and casualty market as part of that strategy.

Accommodative monetary policy and increasing confidence in the economic recovery drove positive returns for investment markets in the first quarter. The recovery remains well managed, with low inflation and ample room to grow employment to further drive momentum in economies and investment markets. As interest rates begin to normalize over the next few years, subdued performance can be expected from fixed income investments. However, the relatively short duration of the Corporation's bond portfolio should help protect against losses on fixed income investments. The Corporation continues to maintain a well diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

Revenue

	three months to March 31		
(thousands of $)	2014	2013	Change
Premiums earned	121,539	116,354	5,185
Investment earnings	15,505	17,111	(1,606)

Premiums written by operating segment are noted below.

	three months to March 31		
(thousands of $)	2014	2013	Change
Saskatchewan	73,297	69,668	3,629
Alberta and Manitoba	14,312	11,084	3,228
Ontario	8,067	8,713	(646)
Net premiums written	95,676	89,465	6,211
Change in unearned premiums	25,863	26,889	(1,026)
Net premiums earned	121,539	116,354	5,185

Net premiums written in Saskatchewan increased 5.2% in the first quarter of 2014 with personal lines, agro and personal auto contributing the majority of the increase. Alberta operations experienced growth of 29.1% in the quarter with auto business contributing the majority of the increase. The decrease in Ontario of 7.4% is due primarily to a decline in auto policies as Coachman continues to see the effects of increasing competition in its auto market.

Investment earnings in the first quarter were $1.6 million lower than the same period in 2013. Increases in equity prices resulted in capital gains although at amounts less than experienced during the first quarter of 2013. While interest income on fixed income investments remained relatively constant, decreases in interest rates generated capital gains higher than experienced during the first quarter of 2013.

Expenses

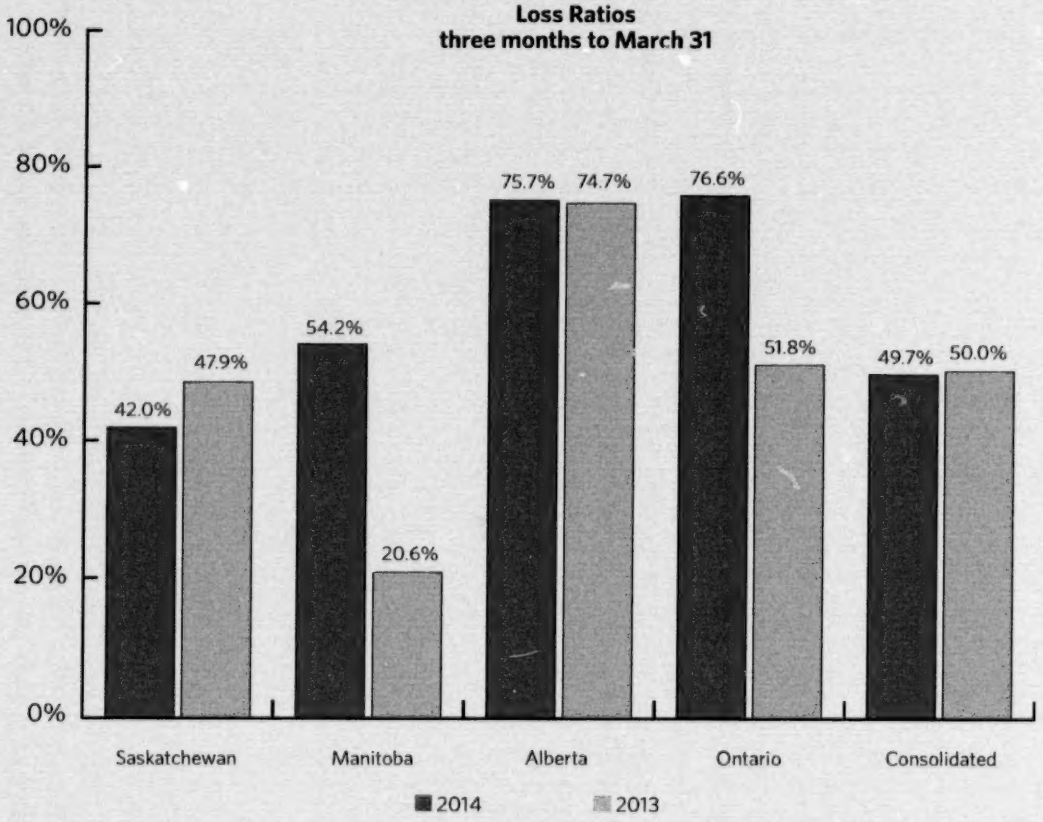
	three months to March 31		
(thousands of $ - except percentages)	2014	2013	Change
Claims incurred	60,406	58,184	2,222
Other expenses	47,104	42,922	4,182
	107,510	101,106	6,404
Loss ratio	49.7%	50.0%	-0.3%

Expenses are comprised of claims incurred and other expenses, which include commissions, premium taxes, administrative expenses and the Corporation's share from participation in the Facility Association.

Claims incurred

First quarter claims incurred were 3.8% higher than 2013, however the consolidated loss ratio decreased to 49.7%, compared to 50.0% in 2013. The overall improvement is a result of stronger results from Saskatchewan compared to the prior year. The loss ratio for out-of-province operations increased to 73.4% in the first quarter of 2014 (2013 - 56.6%).

The following chart summarizes first quarter loss ratios by jurisdiction:



Saskatchewan's loss ratio of 42.0% is lower than last year's three month ratio of 47.9%. Despite a catastrophic storm that resulted in $3.0 million in claims (nil in the prior year), there were significantly fewer large losses in both agro and personal lines compared to the same period last year.

Manitoba's loss ratio increased from 20.6% in 2013 to 54.2% in 2014 due to a higher number of claims across all lines, as well as a large agro loss.

The Alberta loss ratio increased from 74.7% in 2013 to 75.7% in 2014 due primarily to a higher number of claims across all lines.

Ontario's loss ratio of 76.6% is higher than last year's three month ratio of 51.8% as there were a higher number of claims across all lines.

Other expenses

For the first quarter, other expenses increased $4.2 million compared to the same period in 2013. This was due largely to higher commissions and premium taxes, which is consistent with the premium growth in the quarter. Administrative expenses increased due primarily to growth in salaries and benefits.

Income from discontinued operations

Income from discontinued operations represents the results of SGI CANADA's 75% owned subsidiary, ICPEI, which is currently being sold. Its results exclude costs allocated to ICPEI for services provided by SGI CANADA of $360,000 (2012 - $351,000), as these costs are expected to continue within SGI CANADA, with resources redirected to focus on other strategic objectives.

	three months to March 31		
(thousands of $)	2014	2013	Change
Net income of ICPEI	61	50	11
Expenses allocated from SGI CANADA	360	351	9
Income from discontinued operations	421	401	20

ICPEI's net income is largely attributable to investment earnings of $529,000 offset partially by an underwriting loss of $334,000.

Balance Sheet Review

In the Balance Sheet review, large variances appear due to ICPEI being removed as a discontinued operation in the March 31, 2014 Statement of Financial Position. Further variances are discussed below.

(thousands of $)	March 31 2014	December 31 2013	Change
Total assets	**1,104,773**	**1,120,755**	**(15,982)**
Key asset account changes:			
Cash and cash equivalents	15,558	42,608	(27,050)
Accounts receivable	136,733	159,361	(22,628)
Investments	752,809	763,916	(11,107)
Reinsurers' share of unearned premiums	20,745	13,279	7,466

The decrease in cash and cash equivalents is discussed in the Cash Flow and Liquidity section that follows. Accounts receivable decreased as a result of decreases in amounts due from customers and brokers, a direct result of lower premium volumes in the first quarter of 2014 compared to the fourth quarter of 2013. The carrying value of investments decreased by $11.1 million, reflecting the sale of long-term investments largely to fund the $9.9 million dividend payment. Reinsurers' share of unearned premiums are higher than at the end of 2013 as most annual reinsurance contracts are written during the first quarter of the year, and earned over the remainder of the year.

(thousands of $)	March 31 2014	December 31 2013	Change
Total liabilities	**783,724**	**822,307**	**(38,583)**
Key liability account changes:			
Premium taxes payable	4,613	21,886	(17,273)
Amounts due to reinsurers	16,892	9,702	7,190
Unearned premiums	259,417	291,087	(31,670)
Provision for unpaid claims	395,802	420,753	(24,951)

Premium taxes payable decreased due to the annual 2013 premium taxes being paid in the quarter. Amounts due to reinsurers increased as most reinsurance agreements are written in January and paid throughout the year. The decrease in unearned premiums was due to premiums written in the first quarter of 2014 being lower than in the fourth quarter of 2013. The provision for unpaid claims decreased largely due to ICPEI's provision being removed in the March provision, as well as good Saskatchewan claim results in the first quarter.

(thousands of $)	March 31 2014	December 31 2013	Change
Total equity	**317,618**	**294,954**	**22,664**
Key equity account changes:			
Retained earnings	237,618	214,954	22,664

The increase in retained earnings is attributable to the $29.1 million consolidated net income (excluding non-controlling interest) offset by dividends declared of $5.8 million, and other comprehensive income of $661,000. The other comprehensive income represents actuarial losses associated with the corporation's defined benefit pension and service recognition plans.

Cash Flow and Liquidity

	three months to March 31		
(thousands of $)	2014	2013	Change
Operating activities	(3,721)	(5,541)	1,820
Investing activities	(11,095)	54,695	(65,790)
Financing activities	(9,963)	(42,026)	32,063
Net cash flow	(24,779)	7,128	(31,907)

While the Corporation's operating activities generated net income of $29.0 million for the first quarter, negative cash flow of $3.7 million occurred. This was largely a result of significant annual payments that occur in the first quarter, such as prior year premium taxes and broker bonuses.

Investing activities generated $11.1 million through the sale on long-term investments to provide funding towards the $9.9 million dividend payment.

Capital

	as at March 31	
	2014	2013
Minimum Capital Test	252%	288%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At March 31, 2014, the Corporation's MCT was 252% (March 31, 2013 - 288%), which is in excess of the 150% minimum regulatory target. For further information on capital management, refer to note 8 of the notes to the consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

The following table highlights quarter-over-quarter results for SGI CANADA:

	2014	2013			
(thousands of $)	Q1	Q4	Q3	Q2	Q1
Net premiums written	95,676	137,936	138,220	147,847	93,624
Net premiums earned	121,539	129,664	127,127	123,778	122,099
Claims incurred	60,406	80,845	97,352	82,195	62,240
Net income (loss)	29,012	21,790	(7,249)	(5,885)	30,576
Cash flow from (used in) operations	(3,721)	31,830	36,150	9,540	(5,550)
Investments	752,809	763,916	741,171	705,625	708,109
Provision for unpaid claims	395,802	420,753	419,057	397,376	375,599
Minimum Capital Test	252%	231%	237%	262%	288%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2014:

- Net premiums earned generally increase on a quarter-over-quarter basis during the year.
- The first quarter generally experiences lower claims incurred compared to the rest of the year. Claims incurred are anticipated to increase in the second and third quarters as a result of the summer storm season.
- With the exception of the first quarter, the Corporation generates positive cash flow from operations. Cash is typically low in the first quarter as the Corporation pays its annual premium taxes to the province in March. Operating cash flows are generally strong throughout the remaining nine months of the year and during these months excess cash generated is directed to investments.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages in order to reduce the impact on its operations and profitability include competition, significant privacy breaches, catastrophic claim losses, scale, leadership and strategy and product design and pricing. These risks are described in detail in the Corporation's 2013 Annual Report.

Accounting Matters

Critical accounting estimates and assumptions

There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2013 Annual Report.

Related party transactions

There have been no material changes to the Corporation's related party arrangements during the quarter. For further details on the Corporation's related party arrangements, refer to the 2013 Annual Report.

Off balance sheet arrangements

SGI CANADA, in its normal course of operations, enters into certain transactions that are not required to be recorded on its Consolidated Statement of Financial Position, commonly referred to as the balance sheet. These items include litigation, structured settlements and a long-term telecommunications contract. There have been no new off balance sheet arrangements during the quarter. For further details on off balance sheet arrangements, refer to the 2013 Annual Report.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

Insurance Contracts

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2018.

Financial Instruments

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Consolidated Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

In November 2012, the IASB issued limited amendments to the exposure draft. The amendments include introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Consolidated Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Consolidated Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters. The Corporation is in the process of assessing the impact of the new standard.

Annual Improvements Cycles

In 2013, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning July 1, 2014. The Corporation is in the process of assessing the impact of the amendments.

Caution Regarding Forward-Looking Statements

Forward-looking statements include statements regarding SGI CANADA's objectives and strategies, and its ability to achieve them. Forward-looking statements are based on estimations and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are relevant in the circumstances. SGI CANADA deems that the assumptions built into the forward-looking statements are plausible; however, undue reliance should not be placed on the Corporation's forward-looking statements, which only apply as of the date of this MD&A document.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31 2014 (unaudited)	December 31 2013 (audited)
	(thousands of $)	
Assets		
Cash and cash equivalents	$ 15,558	$ 42,608
Accounts receivable	136,733	159,361
Investments under security lending program (note 5)	108,460	142,460
Investments (note 5)	644,349	621,456
Unpaid claims recoverable from reinsurers	32,123	35,624
Reinsurers' share of unearned premiums	20,745	13,279
Deferred policy acquisition costs	61,674	68,811
Property and equipment	32,387	32,835
Other assets	881	1,358
Deferred income tax asset	2,631	2,963
	1,055,541	1,120,755
Assets held for sale (note 4)	49,232	-
	$ 1,104,773	$ 1,120,755
Liabilities		
Accounts payable and accrued liabilities	$ 59,880	$ 63,523
Dividend payable	5,750	9,925
Premium taxes payable	4,613	21,886
Amounts due to reinsurers	16,892	9,702
Unearned reinsurance commissions	4,016	4,339
Unearned premiums	259,417	291,087
Provision for unpaid claims	395,802	420,753
Deferred income tax liability	1,104	1,092
	747,474	822,307
Liabilities directly associated with assets held for sale (note 4)	36,250	-
	783,724	822,307
Equity		
Equity advances	80,000	80,000
Retained earnings	237,618	214,954
Province of Saskatchewan's equity	**317,618**	294,954
Non-controlling interest from discontinued operations	3,431	3,494
Total Equity	**321,049**	298,448
	$ 1,104,773	$ 1,120,755

Contingencies (note 13)

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

for the periods ended March 31

	three months to March 31	
	2014	2013
	(unaudited)	(restated note 4) (unaudited)
Gross premiums written	$ 113,801	$ 106,575
Premiums ceded to reinsurers	(18,125)	(17,110)
Net premiums written	95,676	89,465
Change in net unearned premiums	25,863	26,889
Net premiums earned	**121,539**	116,354
Net claims incurred	60,406	58,184
Commissions	26,107	23,721
Administrative expenses	15,243	13,725
Premium taxes	5,750	5,439
Facility Association participation (note 11)	4	37
Total claims and expenses	**107,510**	101,106
Underwriting profit	**14,029**	15,248
Investment earnings (note 6)	15,505	17,111
Income before income taxes	**29,534**	32,359
Income tax expense from continuing operations	943	2,184
Net income from continuing operations	**28,591**	30,175
Net income from discontinued operations (note 4)	421	401
Net income	**29,012**	30,576
Other comprehensive gain (loss)	(661)	494
Comprehensive income	**$ 28,351**	$ 31,070
Attributable to:		
The Province of Saskatchewan	28,414	31,066
Non-controlling interest from discontinued operations	(63)	4
	$ 28,351	$ 31,070

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the periods ended March 31

	three months to March 31	
	2014 (unaudited)	2013 (restated note 4) (unaudited)
	(thousands of $)	
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 214,954	$ 199,521
Net income from continuing operations	28,654	30,171
Net income from discontinued operations	421	401
Other comprehensive income (loss)	(661)	494
Dividends	(5,750)	(5,750)
Balance, end of period	**$ 237,618**	$ 224,837
Total Province of Saskatchewan's equity	**$ 317,618**	$ 304,837
Non-controlling interest		
Balance, beginning of period	$ 3,494	$ 3,154
Comprehensive income (loss)	(63)	4
Balance, end of period	**$ 3,431**	$ 3,158
Total Equity	**$ 321,049**	$ 307,995

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the periods ended March 31

	three months to March 31	
	2014	2013
	(unaudited)	(restated note 4) (unaudited)
Cash provided by (used for):	(thousands of $)	
Operating activities		
Net income	$ 29,012	$ 30,576
Continuing operations		
Non-cash items:		
Bond amortization	861	819
Depreciation	1,483	1,269
Net realized gains on sale of investments	(4,142)	(5,444)
Net unrealized gains on change in market value of investments	(7,425)	(7,530)
Actuarial gain (loss) on employee benefit plans	(661)	494
Deferred income taxes	(27)	-
Change in non-cash operating items (note 9)	(23,258)	(25,030)
	(4,157)	(4,846)
Discontinued operations	436	(695)
	(3,721)	(5,541)
Investing activities		
Continuing operations		
Purchases of investments	(274,092)	(254,677)
Proceeds on sale of investments	262,899	310,063
Purchases of property and equipment, net of proceeds from disposals	(1,057)	(727)
	(12,250)	54,659
Discontinued operations	1,155	36
	(11,095)	54,695
Financing activities		
Continuing operations		
Dividends paid	(9,925)	(41,993)
Discontinued operations	(38)	(33)
	(9,963)	(42,026)
Increase (decrease) in cash and cash equivalents	**(24,779)**	7,128
Cash and cash equivalents, beginning of period	42,608	13,854
Cash and cash equivalents, end of period	**$ 17,829**	$ 20,982
Comprised of:		
Cash and cash equivalents from continuing operations	15,558	17,885
Cash and cash equivalents from discontinued operations	2,271	3,097
	$ 17,829	$ 20,982
Supplemental cash flow information:		
Interest received	$ 3,185	$ 3,181
Dividends received	$ 538	$ 621
Income taxes paid	$ 860	$ 933

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (unaudited)

March 31, 2014

1. NATURE OF OPERATIONS

Saskatchewan Government Insurance (the Corporation or SGI), which operates under the trade name of SGI CANADA is incorporated, registered and conducts a property and casualty insurance business in the province of Saskatchewan and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. SGI CANADA Insurance Services Ltd. operates directly in Alberta and Manitoba, in Ontario through its wholly owned subsidiary Coachman Insurance Company (Coachman) and in Prince Edward Island, New Brunswick and Nova Scotia through its 75%-owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI) (note 4). The address of the Corporation's registered head office is 2260-11th Avenue, Regina, SK, Canada.

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia and represent approximately 19.0% (December 31, 2013 - 17.5%) of the Corporation's consolidated net premiums earned.

SGI was established as a branch of the Public Service by *The Government of Saskatchewan Act, 1944*, reorganized pursuant to *The Saskatchewan Government Insurance Act, 1946*, and continued under the provisions of *The Saskatchewan Government Insurance Act, 1980*. SGI also acts as administrator of the Saskatchewan Auto Fund under the provisions of *The Automobile Accident Insurance Act*. As a provincial Crown corporation, the Corporation is not subject to federal or provincial income taxes; however, SGI CANADA Insurance Services Ltd., Coachman and ICPEI are subject to federal and provincial income taxes.

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the consolidated financial results of the Corporation are included in the consolidated financial statements of CIC. CIC is ultimately owned by the Government of Saskatchewan.

2. BASIS OF PREPARATION

The unaudited interim consolidated financial statements for the three month period ended March 31, 2014, have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*, and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These unaudited interim consolidated financial statements do not include all of the note disclosures normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended December 31, 2013. Full disclosures will be included in the consolidated annual financial statements.

Basis of measurement

The unaudited interim consolidated financial statements have been prepared using the historical cost basis, except for financial instruments and the provision for unpaid claims and unpaid claims recoverable from reinsurers. The methods used to measure the values of financial instruments are discussed further in note 3. The provision for unpaid claims and unpaid claims recoverable from reinsurers are measured on a

discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Statement of Financial Position classification

The Consolidated Statement of Financial Position has been prepared on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet (non-current), presented in the notes.

Functional and presentation currency

These unaudited interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Use of estimates and judgment

The preparation of the unaudited interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The unaudited interim consolidated financial statements include the accounts of the Corporation and the consolidated accounts of its 100%-owned subsidiaries, SGI CANADA Insurance Services Ltd. and Coachman and its 75%-owned subsidiary, ICPEI. All inter-company accounts and transactions have been eliminated on consolidation. The financial accounting records of the subsidiaries are prepared for the same reporting year as the Corporation, using consistent accounting policies.

Discontinued operations

A disposal group is classified as assets held for sale when the Corporation expects the carrying amount to be recovered through a sales transaction rather than through continuing use. This condition is regarded as having been met when the disposal group is available for sale in its present condition and the sale is highly probable and expected to occur within one year from the date of reclassification. Disposal groups classified as held for sale are measured at the lower of their previous carrying amounts, prior to being reclassified, and fair value less costs to sell. Assets and liabilities directly associated with the disposal group are presented separately from assets and liabilities related to continuing operations. Discontinued operations are presented separately from continuing operations in the Consolidated Statement of Operations, Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows.

Financial assets and liabilities

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized in net income.

Financial assets designated as loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Corporation has no financial assets and liabilities designated as available for sale or held to maturity.

The Corporation has designated its cash and cash equivalents and investments as fair value through profit and loss. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as other financial liabilities. Unpaid claims recoverable from reinsurers, amounts due to reinsurers, and the provision for unpaid claims are exempt from the above requirement.

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Income and expenses are not offset in the Consolidated Statement of Operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation. There are no financial assets and financial liabilities reported as offset in these consolidated financial statements.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All fair value measurements relate to recurring measurements. Fair value measurements for investments are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3).

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

The Corporation defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying investment and trading volumes. Assets measured at fair value and classified as Level 1 include Canadian and U.S. common shares, and pooled equity funds. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Corporation does not adjust the quoted price for such investments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include short-term investments and bonds and debentures. Fair value for short-term investments and bonds and debentures is based on or derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flows methodologies, or similar techniques that are not based on

observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. Level 3 includes the pooled mortgage fund. The fair value for the pooled mortgage fund is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages, subject to adjustments for liquidity and credit risk.

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the investment's interest rate approximates current observable market rates. Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividend payable and premium taxes payable approximate their carrying values due to their short-term nature.

Investments

The Corporation records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized when the rights to receive cash flows from them have expired, or when the Corporation has transferred substantially all risks and rewards of ownership.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are reported separately on the Consolidated Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Investment earnings

The Corporation recognizes interest and premium financing as earned, dividends when declared, pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold and unrealized gains and losses based on the changes in market value of the investments held at the period end date.

Interest revenue includes amortization of any premium or discount recognized at the date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the period end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non-monetary

investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current period. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current period.

Premiums written

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written and are taken into income as net premiums earned over the terms of the related policies, no longer than 12 months. The portion of the policy premiums relating to the unexpired term of each policy is recorded as an unearned premium liability on the Consolidated Statement of Financial Position.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred policy acquisition costs. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred policy acquisition costs to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, a liability is accrued for the excess deficiency.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the period end date. The estimate includes the cost of reported claims, and claims incurred but not reported, and an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation (PFAD) in accordance with Canadian Institute of Actuaries standards. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are deferred, to the extent they are recoverable, and charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months.

Reinsurance ceded

The Corporation uses various types of reinsurance to limit its maximum insurance risk exposure. Estimates of amounts recoverable from reinsurers in respect of insurance contract liabilities and their share of unearned premiums are recorded as reinsurance assets on a gross basis in the Consolidated Statement of Financial Position. Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively. Insurance ceded does not relieve the Corporation of its primary obligation to policyholders.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the Consolidated Statement of Operations.

Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized.

Employees' future benefits

The Corporation provides a defined contribution pension plan, a defined benefit pension plan and defined benefit service recognition plans that provide retirement benefits for its employees.

For the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

The Corporation's defined benefit pension plan is available to certain of its employees and it has been closed to new membership since 1980. The plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. The plan may be indexed at the discretion of the Board of Directors. The plan is pre-funded by payments from employee and employer contributions which are made to a separately administered fund and are determined by periodic actuarial calculations taking into account the recommendations of a qualified actuary.

Responsibility for governance of the plan lies with the Corporation. The Corporation has a pension committee to assist in the management of the plan and has also appointed experienced, independent professional experts such as investment managers, an actuary, and a custodian.

Plan assets consist primarily of fixed income and equity pooled funds and are carried at fair value. Plan assets are not available to creditors of the Corporation nor can they be paid directly to the Corporation.

For the defined benefit plan:

(i) Net interest on the accrued pension liability is recognized in net income.

(ii) Pension obligations are determined by an independent actuary using the projected unit credit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.

(iii) The discount rate used to determine the accrued benefit obligation and the expected return on plan assets was determined by reference to market interest rates at the measurement date of high-quality debt instruments that are denominated in the currency in which the benefits will be paid with cash flows that match the timing and amount of expected benefit payments.

(iv) Past service costs are expensed immediately.

(v) Actuarial gains and losses are recognized in OCI in the period in which they arise.

The accrued benefit asset (liability) is the fair value of plan assets out of which the obligation is to be settled directly, less the present value of the defined benefit obligation. It is restricted to the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

By design, the plan exposes the Corporation to the typical risks faced by defined benefit pension plans such as investment performance, changes to the discount rate used to value the obligation, longevity of plan members, and future price inflation. Pension risk is managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

The Corporation provides defined benefit service recognition plans for certain management and in-scope (union) employees for the purpose of providing retirement benefits. Employees in the plans are eligible for benefits at the earlier of; age plus service equal to or greater than 75, or age 50. Upon retirement, employees meeting the eligibility criteria receive a lump sum payment of five days for management and three days for in-scope (union) employees for each year of continuous service less ineligible time and ineligible partial service time. A participant who dies while a member of either plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation. Effective December 31, 2011, the defined benefit service recognition plan for the unionized employees was frozen for current employees and closed to new employees. Effective December 31, 2011, the defined benefit service recognition plan for the management employees was closed to new employees, and the current employees were provided the option to elect to remain in the plan or to receive an annual payout, commencing in 2012.

The accrued benefit obligation of the service recognition plans is funded by the Corporation as eligible employees terminate employment. The cost of the plans is determined using the projected unit credit method prorated on service. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Obligations under these plans are determined annually by an independent actuary.

By design, the service recognition plans expose the Corporation to risks such as changes to the discount rate used to value the obligation, expected salary increases, and duration of employee service. These risks are managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand, less outstanding cheques.

Property and equipment

All classes of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of land, building and building components, fair value upon transition to IFRS has been used as the deemed cost.

The Corporation has not incurred any borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalized. Subsequent costs are included in the assets' carrying value when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Consolidated Statement of Operations in the period in which they have been incurred.

The depreciation method being used, the useful lives of the assets and the residual values of the assets are reviewed at each reporting date.

Depreciation is recorded in operations on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Building	40 years
Building components	15-30 years
Computer hardware and other equipment	3-5 years

Building components consists of heating and cooling systems, elevators, roofs and parking lots.

Land is not subject to amortization and is carried at cost.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

Leased assets

Leases where the Corporation does not assume substantially all of the risks and reward of ownership are classified as operating leases. The payments are expensed as they are incurred.

Provisions and contingent liabilities

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Structured settlements

In the normal course of claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Consolidated Statement of Operations at the date of the purchase and the related claims liabilities are derecognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes net actuarial gains (losses) on the employee defined benefit pension plan and service recognition plans. These items of OCI are not reclassified subsequently to net income.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

IFRS 4 – Insurance Contracts

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2018.

IFRS 9 – Financial Instruments

In November 2009, the IASB issued an exposure draft of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Consolidated Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

In November 2012, the IASB issued limited amendments to the exposure draft. The amendments include introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Consolidated Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Consolidated Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The Corporation is in the process of assessing the impact of the new standard.

Annual Improvements Cycles

In 2013, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning July 1, 2014. The Corporation is in the process of assessing the impact of the amendments.

4. DISCONTINUED OPERATIONS

On March 28, 2014, the Corporation announced that it had entered into an agreement to sell the shares of its 75%-owned subsidiary, ICPEI, to a third party for a purchase price equal to ICPEI's book value as at the transaction closing date, June 30, 2014. The transaction is subject to regulatory approval and customary closing conditions. Select operating information related to ICPEI continues to be disclosed within note 12.

The ICPEI operations represented a separate line of business for the Corporation. As a result of the sale, these operations have been treated as discontinued operations for the period ended March 31, 2014. A single amount is shown on the face of the Consolidated Statement of Operations comprising the post-tax result of the discontinued operations. In the Consolidated Statement of Cash Flows, the cash provided (utilized) by the activities of ICPEI has been separated from that of the rest of the Corporation. The Consolidated Statement of Operations and the Consolidated Statement of Cash Flows of prior periods have been restated to conform to this style of presentation.

Assets and liabilities directly associated with ICPEI are presented separately on the Consolidated Statement of Financial Position for the period ended March 31, 2014. Financial information for ICPEI operations is presented below.

a) Assets and liabilities classified as held for sale

	(thousands of $) March 31 2014
Assets	
Cash and cash equivalents	$ 2,271
Accounts receivable	11,168
Investments under security lending program	4,467
Investments	27,726
Unpaid claims recoverable from reinsurers	25
Reinsurers' share of unearned premiums	441
Deferred policy acquisition costs	2,676
Property and equipment	20
Deferred income tax asset	438
Assets held for sale	**49,232**
Liabilities	
Accounts payable and accrued liabilities	3,687
Amounts due to reinsurers	109
Unearned reinsurance commissions	136
Unearned premiums	12,128
Provision for unpaid claims	20,123
Deferred income tax liability	67
Liabilities directly associated with assets held for sale	**36,250**
Net assets held for sale	**$ 12,982**

b) Income from discontinued operations

	(thousands of $) three months to March 31	
	2014	2013
Gross premiums written	$ 5,425	$ 5,188
Premiums ceded to reinsurers	(1,103)	(1,029)
Net premiums written	4,322	4,159
Change in net unearned premiums	1,586	1,586
Net premiums earned	**5,908**	5,745
Net claims incurred	4,262	4,056
Commissions	1,062	1,148
Administrative expenses	746	730
Premium taxes	240	232
Facility Association participation	(68)	(65)
Total claims and expenses	**6,242**	6,101
Underwriting loss	**(334)**	(356)
Investment earnings	529	426
Income before income taxes	**195**	70
Income tax expense	134	20
Income from discontinued operations	**61**	50
Administrative expenses from SGI CANADA	360	351
Net income from discontinued operations	**$ 421**	$ 401

ICPEI's administrative expenses include $360,000 (2013 - $351,000) of expenses allocated from its parent, SGI CANADA. As the related expenses are expected to continue after completion of the sale transaction, these expenses are added back to net income from discontinued operations and shown as an expense in continued operations.

c) Investments included within assets held for sale

	(thousands of $) March 31 2014
Short-term investments	$ 4,585
Bonds and debentures	15,814
Canadian common shares	427
Pooled funds:	
Canadian equity	1,383
U.S. equity	1,186
Non-North American equity	1,191
Mortgage	3,140
	27,726
Investments under securities lending program	
Bonds and debentures	4,467
Total investments	$ 32,193

5. INVESTMENTS

The carrying and fair values of the Corporation's investments are as follows:

	(thousands of $)	
	March 31 2014	December 31 2013
Short-term investments	$ 97,344	$ 90,737
Bonds and debentures	291,469	277,030
Canadian common shares	48,441	47,176
U.S. common shares	48,206	50,645
Pooled funds:		
Canadian equity	18,754	19,168
U.S. equity	17,784	19,509
Non-North American equity	49,927	51,113
Mortgage	72,424	66,078
	644,349	621,456
Investments under securities lending program		
Bonds and debentures	96,930	131,683
Canadian common shares	5,678	5,282
U.S. common shares	5,852	5,495
	108,460	142,460
Total investments	$ 752,809	$ 763,916

Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. When securities are loaned, the Corporation is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities, or if the collateral is liquidated, it may be for less than the value of the loan. The Corporation mitigates this risk through non-cash collateral and a guarantee provided by its custodian. Non-cash collateral of at least 102% of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At March 31, 2014, the Corporation held collateral of $113,881,000 (December 31, 2013 - $149,582,000) for the loaned securities.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

	(thousands of $) March 31, 2014			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 97,344	$ -	$ 97,344
Bonds and debentures	-	388,399	-	388,399
Canadian common shares	54,119	-	-	54,119
U.S. common shares	54,058	-	-	54,058
Pooled funds:				
Canadian equity	18,754	-	-	18,754
U.S. equity	17,784	-	-	17,784
Non-North American equity	49,927	-	-	49,927
Mortgage	-	-	72,424	72,424
	$ 194,642	$ 485,743	$ 72,424	$ 752,809

	(thousands of $) December 31, 2013			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 90,737	$ -	$ 90,737
Bonds and debentures	-	408,713	-	408,713
Canadian common shares	52,458	-	-	52,458
U.S. common shares	56,140	-	-	56,140
Pooled funds:				
Canadian equity	19,168	-	-	19,168
U.S. equity	19,509	-	-	19,509
Non-North American equity	51,113	-	-	51,113
Mortgage	-	66,078	-	66,078
	$ 198,388	$ 565,528	$ -	$ 763,916

The Corporation's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

A reconciliation of Level 3 investments for the period ended March 31, 2014 is as follows:

	(thousands of $) three months to March 31	
	2014	2013
Balance beginning of the period	$ -	$ -
Add: Additions during the period		
Mortgage pooled fund	70,993	-
Less: Disposals during the period		
Mortgage pooled fund	-	-
Net unrealized gains	1,431	-
	$ 72,424	$ -

Investment in the mortgage pooled fund is valued using the Corporation's share of the net asset value of the mortgage pooled fund as at March 31, 2014.

During the period, the Corporation transferred the mortgage pooled fund from Level 2 to Level 3 to be consistent with the investment manager's classifications.

6. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $) three months to March 31	
	2014	(restated note 4) 2013
Net unrealized gains on change in market value of investments	$ 7,425	$ 7,530
Net realized gains on sale of investments	4,142	5,444
Interest	2,325	2,473
Premium financing	1,405	1,331
Dividends	542	591
Total investment earnings	15,839	17,369
Investment expenses	(334)	(258)
Net investment earnings	$ 15,505	$ 17,111

Details of the net unrealized gains on change in market value of investments is as follows:

	(thousands of $) three months to March 31	
	2014	(restated note 4) 2013
Bonds and debentures	$ 1,234	$ 35
Canadian common shares	2,295	24
U.S. common shares	327	1,836
Pooled funds:		
Canadian equity	902	1,126
U.S. equity	464	1,093
Non-North American equity	772	2,690
Mortgage	1,431	726
	$ 7,425	$ 7,530

7. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Corporation has established an enterprise risk management policy. The Board of Directors approved this policy, and management is responsible for ensuring it is properly maintained and implemented. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting from management.

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also result in significant financial risks, as the Corporation's Statement of Financial Position consists primarily of financial instruments. The financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Insurance risk

Underwriting risk

The Corporation manages its insurance risk through its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

Diversification

The Corporation writes property, liability and motor risks over a 12-month period. The most significant risks arise from weather-related events, such as severe summer storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written:

(thousands of $)

three months to March 31, 2014	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 32,859	$ 31,742	$ 10,370	$ 8,025	$ 82,996
Manitoba	-	1,515	1,006	573	3,094
Alberta	9,397	3,029	1,187	1,374	14,987
Ontario	10,029	1,213	892	590	12,724
Total	$ 52,285	$ 37,499	$ 13,455	$ 10,562	$ 113,801

(thousands of $)

three months to March 31, 2013	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 32,376	$ 29,205	$ 9,780	$ 7,595	$ 78,956
Manitoba	-	1,533	797	496	2,826
Alberta	7,158	2,055	912	1,059	11,184
Ontario	10,918	1,374	743	574	13,609
Total	$ 50,452	$ 34,167	$ 12,232	$ 9,724	$ 106,575

The concentration of insurance risk by line of business is summarized below by reference to unpaid claims liabilities:

(thousands of $)

	Gross		Reinsurance Recoverable		Net	
	March 31 2014	December 31 2013	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Automobile	$ 197,611	$ 209,811	$ 11,522	$ 10,849	$ 186,089	$ 198,962
Personal property	92,076	101,787	7,353	10,917	84,723	90,870
Commercial property	27,429	27,229	8,509	8,818	18,920	18,411
Liability	52,077	54,720	3,392	3,441	48,685	51,279
Assumed	7,652	7,689	-	-	7,652	7,689
PFAD and discounting	14,105	13,141	1,347	1,599	12,758	11,542
Facility Association	4,852	6,376	-	-	4,852	6,376
Total	$ 395,802	$ 420,753	$ 32,123	$ 35,624	$ 363,679	$ 385,129

The concentration of insurance risk by region is summarized below by reference to unpaid claims liabilities:

(thousands of $)

	Gross		Reinsurance Recoverable		Net	
	March 31 2014	December 31 2013	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Alberta	$ 47,340	$ 49,002	$ 3,817	$ 5,946	$ 43,523	$ 43,056
Saskatchewan	217,112	221,117	14,837	14,577	202,275	206,540
Manitoba	6,689	6,130	545	814	6,144	5,316
Ontario	124,661	122,939	12,924	13,687	111,737	109,252
Maritimes	-	21,565	-	600	-	20,965
Total	$ 395,802	$ 420,753	$ 32,123	$ 35,624	$ 363,679	$ 385,129

Reinsurance

The Corporation also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers.

The policy of underwriting and reinsuring contracts of insurance limits the liability of the Corporation to a maximum amount on any one loss as follows:

(thousands of $)

	2014	2013
Dwelling and farm property	$ 800	$ 750
Unlicensed vehicles	800	750
Commercial property	1,250	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	12,500	12,500

While the Corporation utilizes reinsurance, it is still exposed to reinsurance risk. Reinsurance risk is the risk of financial loss due to inadequacies in reinsurance coverage or the default of a reinsurer. The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Actuarial risk

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the period end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the period end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

Financial risk

The nature of the Corporation's operations result in a Consolidated Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation's Board of Directors. The SIP&G provides guidelines to the investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Corporation receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers' performance is evaluated based on return objectives, including realized and unrealized capital gains and losses plus income from all sources, and goals stated in the SIP&G.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: accounts receivable (from its customers, brokers and reinsurers) and certain investments.

The maximum credit risk to which the Corporation is exposed is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $)	
	March 31 2014	December 31 2013
Cash and cash equivalents	$ 15,558	$ 42,608
Accounts receivable	136,733	159,361
Fixed income investments[1]	558,167	565,528
Unpaid claims recoverable from reinsurers	32,123	35,624

[1] Includes short-term investments, bonds and debentures, and the mortgage pooled fund

In addition, the Corporation is exposed to credit risk associated with its structured settlements as described separately in the notes to the annual consolidated financial statements.

Cash and cash equivalents include money market investments of $25,483,000 less bank overdraft, net of outstanding cheques of $9,925,000 (December 31, 2013 - money market investments of $52,105,000 less bank overdraft, net of outstanding cheques of $9,497,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial, along with amounts from brokers across the provinces that the Corporation operates in. Accounts receivable consist of balances outstanding for one year or less.

	(thousands of $)	
	March 31 2014	December 31 2013
Current	$ 132,574	$ 158,365
30-59 days	946	553
60-90 days	602	307
Greater than 90 days	8,539	5,858
Subtotal	142,661	165,083
Allowance for doubtful accounts	(5,928)	(5,722)
Total	$ 136,733	$ 159,361

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted.

Details of the allowance account are as follows:

	(thousands of $)	
	March 31 2014	December 31 2013
Allowance for doubtful accounts	$ 5,722	$ 5,633
Allowance related to discontinued operations	(48)	-
Accounts written off	(351)	(1,698)
Current period provision	605	1,787
Allowance for doubtful accounts	$ 5,928	$ 5,722

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Corporation of its primary obligation to the policyholder. Reinsurers are typically all required to have a minimum financial strength rating of A- at the inception of the treaty; rating agencies used are A.M.Best and Standard & Poor's. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the mortgage pooled fund. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for the bond and debenture investments are as follows:

	(thousands of $)			
	March 31, 2014		December 31, 2013	
Credit Rating	Fair Value	Makeup of Portfolio	Fair Value	Makeup of Portfolio
AAA	$ 120,073	30.9%	$ 137,268	33.6%
AA	120,419	31.0%	131,020	32.0%
A	105,038	27.1%	100,830	24.7%
BBB	42,869	11.0%	39,595	9.7%
Total	$ 388,399	100.0%	$ 408,713	100.0%

Within bond and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

The unit value of the mortgage pooled fund is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its own investment policy, which include single loan limits, diversification by property type and geographic regions within Canada. Each underlying mortgage is secured by real estate and related contracts.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the mortgage pooled fund. Changes in interest rates also impact the provision for unpaid claims and unpaid claims recoverable from reinsurers. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on discounting of claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

	(thousands of $)			
	100 basis point increase		100 basis point decrease	
	March 31 2014	December 31 2013	March 31 2014	December 31 2013
Investment earnings	$ (11,692)	$ (14,346)	$ 11,692	$ 14,346
Claims incurred	(8,670)	(9,172)	8,670	9,172
Net income	(3,022)	(5,174)	3,022	5,174

Foreign exchange risk

The investment policy defines maximum limits to exchange rate sensitive assets within the investment portfolio. The following table indicates the exposure to exchange rate sensitive assets and provides the sensitivity to a 10% appreciation/depreciation in the Canadian dollar and the corresponding decrease/increase in the in net income and retained earnings:

		Current Exposure (%)		10% change in exchange rates ($)	
Asset Class	Maximum Exposure (%)	March 31 2014	December 31 2013	March 31 2014	December 31 2013
U.S. equities	14.0%	9.5%	9.9%	$ 7,184	$ 7,565
Non-North American equities	9.0%	6.6%	6.7%	4,993	5,111

As U.S. common shares, the U.S. equity pooled fund and the non-North American equity pooled fund are classified as fair value through profit and loss, any unrealized changes due to foreign currency are recorded in net income. There is no exposure to foreign exchange risk within the Corporation's bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers. The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 25.9% (December 31, 2013 - 26.0%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

Asset Class	(thousands of $) March 31 2014	December 31 2013
Canadian equities	$ +/- 21,352	$ +/- 20,199
U.S. equities	+/- 22,559	+/- 21,182
Non-North American equities	+/- 14,878	+/- 15,232

The Corporation's equity investments are classified as fair value through profit and loss and as such, any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations.

No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from its investing activities.

8. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital are to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. There were no changes to the Corporation's capital structure during the period.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

SGI CANADA is not a regulated insurer; however, its subsidiaries, SGI CANADA Insurance Services Ltd., Coachman Insurance Company and The Insurance Company of Prince Edward Island, are subject to rate regulation related to their automobile premiums. Regulators require insurers to maintain a level of capital sufficient to achieve an MCT of 150% or higher based on the risk profile of the insurer and its business. There have been no changes to the Corporation's capital management processes and measures since the prior period end. SGI CANADA and each of its subsidiaries, maintain MCT's greater than 150%.

9. CHANGE IN NON-CASH OPERATING ITEMS

The change in non-cash operating items is comprised of the following:

	(thousands of $) three months to March 31	
	2014	(restated note 4) 2013
Accounts receivable	$ 11,281	$ 13,299
Unpaid claims recoverable from reinsurers	(946)	2,200
Reinsurers' share of unearned premiums	(7,968)	(8,140)
Deferred policy acquisition costs	4,264	4,548
Other assets	477	754
Accounts payable and accrued liabilities	1,499	(15,467)
Premium taxes payable	(17,273)	(16,045)
Amounts due to reinsurers	7,504	7,866
Unearned reinsurance commissions	(169)	(269)
Unearned premiums	(18,541)	(18,750)
Provision for unpaid claims	(3,386)	4,974
	$ (23,258)	$ (25,030)

10. EMPLOYEE SALARIES AND BENEFITS

The Corporation incurs salaries costs, retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefits costs. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it based on a cost allocation framework. These amounts have been disclosed separately in this note.

The Corporation allocates expenses incurred to the various operating functions. The Corporation includes employee salaries and benefits in the claims incurred and administrative expense line on the Consolidated Statement of Operations.

The total salary and benefits expenses incurred during the period are as follows:

	(thousands of $) three months to March 31	
	2014	(restated note 4) 2013
Salaries	$ 30,043	$ 28,916
Defined contribution pension plan	1,676	1,615
Defined benefit pension plan	39	52
Defined benefit service recognition plans	215	212
Other benefits	4,057	3,693
Total salaries and benefits	36,030	34,488
Less: Allocation to Saskatchewan Auto Fund	(22,252)	(21,419)
Salaries and benefits incurred in SGI CANADA	$ 13,778	$ 13,069

Defined contribution pension plan

The Corporation has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.5% to the plan.

Defined benefit pension plan

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of December 31, 2010. The next valuation is anticipated to have a valuation date as of December 31, 2013.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

Pension expense for the defined benefit pension plan is as follows:

	(thousands of $) three months to March 31	
	2014	2013
Current service cost	$ 5	$ 14
Interest cost	34	38
Pension expense	$ 39	$ 52

Defined benefit service recognition plans

Pension expense for the defined benefit service recognition plan is as follows:

	(thousands of $) three months to March 31	
	2014	2013
Current service cost	$ 51	$ 60
Interest cost	164	152
Pension expense	$ 215	$ 212

Actuarial (gains) losses recognized in other comprehensive income (loss)

Other comprehensive income (loss) results from changes to actuarial assumptions used to calculate the liabilities of the employee benefit plans and differences in the actual return on employee benefit plan assets versus estimated returns on these assets. The discount rate is the only key assumption that changed during the period, as follows:

Discount Rate	Defined Benefit Pension Plan	Defined Benefit Service Recognition Plans
December 31, 2012	3.60%	3.20% - 3.30%
March 31, 2013	3.60%	3.20% - 3.30%
December 31, 2013	4.30%	3.80% - 4.00%
March 31, 2013	3.90%	3.50% - 3.60%

Actuarial (gains) losses recognized in other comprehensive income (loss) are as follows:

	(thousands of $)	
	2014	2013
Cumulative actuarial losses, January 1	$ 5,328	$ 8,326
(Gain) Loss recognized during the first quarter	661	(494)
Cumulative actuarial losses, March 31	$ 5,989	$ 7,832

Key management personnel

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include Board members, President and Chief Executive Officer, and Vice Presidents of the Corporation.

Key management personnel compensation is comprised of:

	(thousands of $) three months to March 31	
	2014	2013
Salaries and benefits	$ 760	$ 884
Post-employee benefits	10	10
Contributions to defined contribution plan	65	64
Pension expense	$ 835	$ 958

11. FACILITY ASSOCIATION PARTICIPATION

Through its subsidiaries, the Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $) three months to March 31	
	2014	(restated note 4) 2013
Gross premiums written	$ 589	$ 606
Net premiums earned	$ 704	$ 722
Claims incurred	582	617
Commissions	(2)	9
Premium taxes	21	22
Administrative expenses	137	144
Total claims and expenses	738	792
Underwriting loss	(34)	(70)
Investment earnings	30	33
Net loss	$ (4)	$ (37)

12. SELECT OPERATING INFORMATION

The Corporation provides property and casualty insurance directly in Saskatchewan, and through subsidiaries operating in Manitoba and Alberta, Ontario and the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). The performance of each subsidiary is reported separately to the Corporation's Board of Directors.

The product offerings vary across the jurisdictions, but all products offered are considered property and casualty insurance.

(thousands of $)

March 31, 2014	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes (Discontinued - note 4)	Consolidation Adjustments	Total
Net premiums written	$ 73,297	$ 14,312	$ 8,067	$ 4,322	$ -	$ 99,998
Net premiums earned	91,621	17,565	12,354	5,908	-	127,448
Claims incurred	38,448	12,499	9,459	4,262	-	64,668
Other expenses	37,366	5,736	3,643	1,980	-	48,725
Underwriting profit (loss)	15,807	(670)	(748)	(334)	-	14,055
Investment earnings	10,824	2,009	2,672	529	-	16,034
Income before income taxes	26,631	1,339	1,924	195	-	30,089
Income tax expense	-	350	593	134	-	1,077
Net income	$ 26,631	$ 989	$ 1,331	$ 61	$ -	$ 29,012
Total assets	$ 716,598	$ 180,661	$ 218,353	$ 52,786	$ (63,625)	$ 1,104,773
Total liabilities	$ 523,141	$ 125,728	$ 160,873	$ 37,607	$ (63,625)	$ 783,724
Shareholder's equity	$ 193,457	$ 54,934	$ 57,480	$ 15,178	$ (3,431)	$ 317,618

(thousands of $)

March 31, 2013	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes (Discontinued - note 4)	Consolidation Adjustments	Total
Net premiums written	$ 69,668	$ 11,084	$ 8,713	$ 4,159	-	$ 93,624
Net premiums earned	88,093	14,965	13,296	5,745	-	122,099
Claims incurred	42,201	9,093	6,890	4,056	-	62,240
Other expenses	33,862	4,851	3,858	2,045	-	44,616
Underwriting profit (loss)	12,030	1,021	2,548	(356)	-	15,243
Investment earnings	12,442	1,780	2,889	426	-	17,537
Income before income taxes	24,472	2,801	5,437	70	-	32,780
Income tax expense	-	743	1,441	20	-	2,204
Net income	$ 24,472	$ 2,058	$ 3,996	$ 50	$ -	$ 30,576
Total assets	$ 665,802	$ 142,287	$ 218,502	$ 51,796	$ (54,029)	$ 1,024,358
Total liabilities	$ 475,276	$ 96,796	$ 161,086	$ 37,234	$ (54,029)	$ 716,363
Shareholder's equity	$ 190,527	$ 45,972	$ 57,415	$ 14,081	$ (3,158)	$ 304,837

13. CONTINGENCIES

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position or results of operations of the Corporation.